



NO. S088739
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57,
AS AMENDED**

**IN THE MATTER OF OKANAGAN HILLS DEVELOPMENT CORPORATION,
VINEYARD HOMES AT THE RISE LTD., THE GOLF CLUB AT THE RISE LTD.
and
Y-K PROJECTS LTD.**

PETITIONERS

**AMENDED CONSOLIDATED PLAN OF COMPROMISE AND
ARRANGEMENT**

As approved at the Creditors' Meeting on October 29, 2010

TABLE OF CONTENTS

SCHEDULE "A"		II
ARTICLE 1 INTERPRETATION		1
1.1	Definitions	1
1.2	Headings	12
1.3	Section References	12
1.4	Accounting Terms	12
1.5	Statutory References	12
1.6	Extended Meanings	12
1.7	Dates of Actions	12
1.8	Time	13
1.9	Currency	13
ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN		13
2.1	Purpose of this Plan	13
2.2	Persons Affected by this Plan	14
2.3	Persons Not Affected by this Plan	14
2.4	Plan Administrator	14
2.5	Effect of Plan Generally	14
ARTICLE 3 MECHANICS OF THE PLAN		15
3.1	Overview of Restructuring Process	15
3.2	Proposed Timetable	16
ARTICLE 4 CREDITOR CLASSES AND PAYMENTS		17
4.1	Classes of Creditors	17
4.2	Treatment of Creditors	17
ARTICLE 5 FILING OF PROOFS OF CLAIM AND CREDITOR MEETINGS		18
5.1	Determination of Claims	18
5.2	Failure to File Proofs of Claim Prior to Claims Bar Date	18
5.3	Classes of Creditors	18
5.4	Creditor Meetings	18
5.5	Creditors' Approval	19
5.6	Procedures at Creditor Meetings	19
5.7	Voting by Creditors	20
5.8	Voting by Claimants	20
5.9	Status Quo	20
5.10	Proxies	20
5.11	Voting Disputes	20
5.12	Adjournment of Creditor Meetings	21
ARTICLE 6 MODIFICATION AND WITHDRAWAL		21
6.1	Modification of Plan	21
6.2	Revocation, Withdrawal or Non-Consummation	21
ARTICLE 7 EFFECT OF PLAN		22
7.1	Releases	22

7.2	Permanent Injunction.....	23
7.3	Waiver of Defaults	24
7.4	Cancellation of Encumbrances	24
ARTICLE 8 APPLICATION FOR FINAL ORDER AND CONDITIONS PRECEDENT		
.....		24
8.1	Effectiveness of Plan	24
8.2	Conditions Precedent to Effectiveness of Plan	25
8.3	Application for Final Order	25
8.4	Terms of Final Order.....	25
8.5	Monitor’s Certificate of Completion	26
8.6	Non-Fulfillment of Conditions	26
ARTICLE 9 DISTRIBUTIONS TO GENERAL CREDITORS		
.....		26
9.1	Entitlement to Receive General Creditor Distribution Amounts.....	26
9.2	No Distributions Pending Acceptance of Claims	26
9.3	General Creditor Distribution Date.....	26
9.4	Assignment of Compromised Claims	26
9.5	Interest on Claims	27
9.6	Payment of General Creditor Distribution Amounts.....	27
9.7	Withholding and Reporting Requirements	27
9.8	Guarantees and Similar Covenants.....	27
ARTICLE 10 GENERAL.....		
.....		28
10.1	Paramourcy	28
10.2	Deeming Provisions.....	28
10.3	Different Capacities	28
10.4	Severability	28
10.5	Further Assurances.....	28
10.6	Notices	29
10.7	Governing Law.....	29
10.8	Successors and Assigns	29
<u>SCHEDULE “A”</u>.....		

CONSOLIDATED PLAN OF COMPROMISE AND ARRANGEMENT PURSUANT TO
THE COMPANIES' CREDITORS ARRANGEMENT ACT
AND THE BUSINESS CORPORATIONS ACT

IN THE MATTER OF OKANAGAN HILLS DEVELOPMENT CORPORATION,
VINEYARD HOMES AT THE RISE LTD., THE GOLF CLUB AT THE RISE LTD. and
Y-K PROJECTS LTD.

ARTICLE 1
INTERPRETATION

1.1 **Definitions**

In this Plan of Arrangement, unless otherwise stated, the following words and phrases shall have the respective meanings set out below, and grammatical variations of such words and phrases shall have corresponding meanings:

"Administration Charge" means the charge created in the Initial Order in favour of the Monitor, the Monitor's legal counsel and the Petitioners' legal counsel as amended by subsequent Order.

"Applicable Law" means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law (zoning or otherwise) or Order (in all cases having the force of law) that applies in whole or in part to such Person, property, transaction or event.

"Arres" means Arres Capital Inc., S136, 760752 B.C. Ltd., 760738 B.C. Ltd.

"Arres Creditor Pro Rata Share" means a fraction whose numerator is the amount of an Arres Creditor Proven Claim in a Class and whose denominator is the aggregate amount of all the Arres Creditor Proven Claims in that Class to which the Arres Creditor Proven Claim belongs.

"Arres Creditor Proven Claim" means the Proven Claim(s) of a Creditor in any one of the First Arres Secured Creditor Class, Second Arres Secured Creditor Class, or Third Arres Secured Creditor Class.

"Arres First Priority Proven Claim" means the Claim of the First Arres Secured Creditor Class which amount is comprised of principal and unpaid interest owing as of the Filing Date and which amount has been approved by the Monitor.

"Arres Second Priority Proven Claim" means the Claim of the Second Arres Secured Creditor Class which amount is comprised of principal and unpaid interest owing as of the Filing Date and which amount has been approved by the Monitor.

“Arres Secured Creditor Classes” means the First Arres Secured Creditor Class, the Second Arres Secured Creditor Class and the Third Arres Secured Creditor Class.

“Arres Third Priority Proven Claim” means the Claim of the Third Arres Secured Creditor Class which amount is comprised of principal and unpaid interest owing as of the Filing Date and which amount has been approved by the Monitor.

“Arres Secured Creditors” means Olympia Trust, B2B, S136, 760738 B.C. Ltd., 760752 B.C. Ltd. and CME as trustees for the Investors.

“B2B” means B2B Trust Company.

“BCBCA” means the *Business Corporations Act* (British Columbia), S.B.C. 2002, C.57, as amended.

“BDC” means the Business Development Bank of Canada.

“BDC Encroachment Claim” means any and all claims asserted by BDC under the Claims Process Order in the CCAA Proceedings.

“BDC Mortgage” means Mortgage No. CA303575 registered against PID 026-327-007, Lot 2, Section 31, Township 9 and Section 6 Township 8 ODYD, Plan KAP8315 and all related security granted to BDC in relation to the loan by BDC to the Golf Club.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

“Business Day” means any day other than a Saturday, Sunday or statutory holiday in British Columbia.

“CCAA” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

“CCAA Claims” means, collectively, all Claims secured by the Administration Charge and the Directors’ Charge.

“CCAA Proceedings” means the proceedings commenced by the Petitioners under the CCAA and BCBCA in the Supreme Court of British Columbia, Action No. S-088739, Vancouver Registry.

“Chairperson” means Philip McCourt or George Abakhan of the Monitor, or such other representative of the Monitor as it may designate who shall preside as

the chair of the Creditor Meetings and shall decide all matters relating to the conduct of the Creditor Meetings as provided in the Meeting and Process Order.

“City of Vernon” means the City of Vernon with a City of Vernon Proven Claim.

“City of Vernon Proven Claim” means the Claim of the City of Vernon that is a secured priority claim in an amount which has been approved by the Monitor or by the Court.

“Claim” means any indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the BIA, as set out in section 1 of the CCAA and includes a claim by an Investor and a claim arising out of the termination of any Contract by the Petitioners.

“Claimant” means any Creditor having a Disputed Claim.

“Claims Bar Date” means the date by which all General Creditors must file a Proof of Claim as set out in Claims Process Order.

“Claims Process Order” means the Order of the Court in the CCAA Proceedings made June 1st, 2009 establishing, among other things, procedures for proving Claims including the BDC Encroachment Claim.

“CME” means CME Capital Management Group Ltd.

“Compliance Deposit Creditor” means those Creditors who paid compliance deposits to the Petitioners, and who have satisfied the terms and conditions of the design and building bylaws issued by the Petitioners, and who have not filed a Proof of Claim, or if a Proof of Claim has been filed, elect to withdraw their Proof of Claim prior to the Creditor’s Meeting Date.

“Compromised Claims” means the released claims as set out in Article 7.1 but excludes Unaffected Claims.

“Contract” means any contract, agreement, lease, indenture, deed of trust, license, option, purchase order, employment or consulting contract, or other commitment or obligation in the nature of a contract, whether oral or written, express or implied.

“Court” means the Supreme Court of British Columbia.

“Creditor” means any Person having a Claim, and includes the assignee of a Claim or the trustee, receiver, receiver manager or other Person acting on behalf of a Creditor, if such assignee or other Person has been recognized by the Monitor.

“Creditor Meetings” means the meeting of the Creditors to be called and held pursuant to the Meeting and Process Order for the purpose of considering, and if thought fit, voting to approve this Plan, and the compromise and arrangement constituted hereunder, and any adjournment thereof.

“Creditor Meetings Date” means the date fixed for holding the Creditor Meetings under the Meeting and Process Order, or any date to which such Meeting is adjourned or postponed pursuant thereto.

“Crown” means Her Majesty the Queen in Right of the Province of British Columbia and Her Majesty the Queen in Right of Canada.

“Development Lands” means the lands owned by the Petitioners but excluding the Golf Course Land and the General Creditor Lots.

“DIP Loan Mortgage” means monies advanced to the Petitioners pursuant to the Order pronounced May 26th 2010 in the CCAA Proceedings and secured by a mortgage registered against the Development Lands.

“DIP Replacement Lender(s)” means the Secured Creditors to the extent that their mortgage security was extinguished and replaced by the Joint Arres/CME Capital Charge.

“DIP Replacement Lenders Mortgage” means the new mortgage that will replace the Joint Arres/CME Capital Charge and will be registered against the Development Lands in priority behind the DIP Loan Mortgage having a principal amount equal to the aggregate of all net proceeds of sale sitting in the Joint Arres/CME Capital Charge and with interest at the rate of 12% from October 15, 2009. Each Creditor comprising the DIP Replacement Lender Class will share in the DIP Replacement Lenders Mortgage based on its DIP Replacement Lender Pro Rata Share. The form and structure of the New DIP Replacement Lender Mortgage will be settled at the discretion of the Board and shall include, among other things, provisions for subordination, fracturing, partial discharges so as to accommodate appropriate Third Party Financing for the further development of the Rise Lands, in whole or in part. The form and structure of the DIP Replacement Lenders Mortgage will also contemplate that net funds generated by future sales will be directed in satisfaction of such Third Party Financing or the DIP Replacement Lenders Mortgage. The Final form and structure of the Mortgage will be reviewed by the Financial Strategist.

“DIP Replacement Lender Mortgage’s Proven Claim” means the Claim(s) of an DIP Replacement Lender that has been filed by the Claims Bar Date and which is not a Disallowed Claim.

“DIP Replacement Lender Pro Rata Share” means a fraction whose numerator is the amount of the DIP Replacement Lender Proven Claim in the Class and

whose denominator is the aggregate amount of all the DIP Replacement Lenders Mortgage Proven Claims in that Class.

“DIP Replacement Lender Class” means the class comprising the DIP Replacement Lenders.

“Directors’ Charge” means the Charge created by the Initial Order in favour of the officers and directors of the Petitioners.

“Disallowed Claim” means a Disputed Claim, or a portion thereof, which has been disallowed by the Monitor and in respect of which all appeal periods have elapsed.

“Dispute Notice” means the Notice of Revision or Disallowance delivered by the Monitor to a Creditor in accordance with the terms of the Claims Process Order.

“Disputed Claim” means a Claim that is the subject of a Dispute Notice and that is not a Proven Claim or a Disallowed Claim.

“Distributable Cash” means the proceeds from the sale of the General Creditor Lots less the transaction costs of the sale.

“Encumbrance” means any encumbrance, lien, execution, priority, charge, pledge, mortgage, debenture, trust deed, conditional sale or other title retention agreement, security interest of any nature, adverse claim, servitude, exception, reservation, covenant, condition, restriction, easement, right of way, right of occupation, lease, license, any matter or agreement capable of registration against or otherwise affecting title, option, sale agreement, right to purchase, right of pre-emption, privilege or any contract to create any of the foregoing, and, for greater certainty, includes any security interest (as defined in the *Personal Property Security Act*, R.S.B.C. 1996, c. 359).

“Equipment Lessors” means those security interests registered against the Petitioners in the Personal Property Registry of British Columbia prior to the Filing Date that relate to the sale or lease of equipment to the Petitioners.

“Filing Date” means December 15, 2008.

“Final Order” means an Order of the Court in the CCAA Proceedings approving this Plan as provided for in Article 8.

“Financial Strategist” means an accredited third party person with experience in financial restructuring who has worked with a national level Accounting Firm and provides skill sets in real estate finance for multi phased multi use real estate projects.

“First Arres Secured Creditor Class” means S136, B2B, CME, and Olympia holding the First Arres Secured Creditor Class Mortgages against the Development Lands.

“First Arres Secured Creditor Class Mortgages” means

- S136, B2B, Olympia \$15.0 million mortgage KX021116 and assignment of rents KX021117
- S136, B2B, Olympia \$5.0 million mortgage KW086920 and assignment of rents KW086921
- S136 \$525,000 mortgage CA419774 and assignment of rents CA419775
- S136, Olympia \$8,200,000 LA143704 mortgage and assignment of rents, LA143705
- S136 \$5,300,000 mortgage CA675632 and assignment of rents CA675633
- CME \$4,900,000 mortgage CA669544

“GAAP” has the meaning ascribed thereto in Article 1.4.

“General Creditor” means all Creditors other than the Secured Creditors and the Unaffected Creditors.

“General Creditor Distribution Amount” means in the case of any Proven Claim held by a General Creditor, the amount equal to their General Creditor Pro Rata Share.

“General Creditor Distribution Date” means a date selected by the Monitor, in its sole discretion, after the date on which the last Disputed Claim shall have been finally determined in accordance with this Plan and the Claims Process Order and after the closing of the sale of the General Creditor Lots.

“General Creditor Lots” means Lots that have the following PID numbers: Lot 13 PID 026-990-326 and Lot 17 PID 027-271-838, which have been specifically allocated to be sold and the proceeds from the sales to be used to fund the General Creditor Class.

“General Creditor Proven Claim” means the Claims of a General Creditor that has been filed by the Claims Bar Date and which is not a Disallowed Claim or a Disputed Claim.

“General Creditor Pro Rata Share” means a fraction whose numerator is the amount of a General Creditor’s Proven Claim and whose denominator is the aggregate amount of all the General Creditor’s Proven Claims.

“Golf Club” means the Golf Club at the Rise Ltd.

“Golf Club Founding Members” means Founding Members as defined in the Membership Agreement.

“Golf Club Members” means those persons who paid membership dues to the Golf Club and are members of the Golf Club and who have not filed a Claim in the CCAA proceedings as a General Creditor, or if a Claim has been filed, the Proof of Claim is withdrawn prior to the Creditors Meeting Date.

“Golf Course Land” means the lands legally described as PID: 026-327-007; Lot 2, Section 31, Township 9 and Section 6 Township 8 ODYD, Plan KAP8315.

“Golf Club Members In Good Standing” means those Golf Club Members who have complied with the terms of the Membership Agreement and are current with their annual membership dues.

“Governmental Authority” means, with respect to any Person, transaction or event, any: (a) federal, provincial, municipal or local government body (whether administrative, legislative, executive or otherwise), both domestic and foreign; (b) agency, authority, commission, instrumentality, regulatory body, Superintendent, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (c) Court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event.

“GST Proven Claim” means the Claim by Canada Revenue Agency which has been approved by the Monitor.

“HSBC Letter of Credit” means any and all letters of credit issued by HSBC Bank Canada to the City of Vernon, St. Paul Guarantee Company and BC Liquor Distribution Branch.

“HSBC Mortgage” means the mortgage registered by HSBC Bank Canada against titles to some of the Development Lands.

“Initial Order” means the Order of the Court in the CCAA Proceedings dated December 15, 2008 ordering, among other things, a stay of proceedings against the Petitioners, as amended from time to time.

“Investors” means those persons that invested money with Arres, either directly or through an RRSP or Pension Fund, that was invested in mortgages registered against the Rise Lands and the Golf Course Lands.

“Joint Arres/CME Capital Charge” means the super priority charge in the Order pronounced October 15, 2009 in the CCAA Proceedings.

“Lot Sale(s)” means the sale or sales of an individually titled parcel of land comprising part of the Development Lands.

“Lots” means individual Lots comprising the Development Lands.

“Olympia” means Olympia Trust Company.

“Material Claimant” has the meaning ascribed thereto in Article 5.8.

“Meeting and Process Order” means the Order of the Court in the CCAA Proceedings authorizing the Petitioners to present this Plan to the Creditors at the Creditor Meetings, as amended and modified by any subsequent Order of the Court and, among other things, providing for the conduct of the Creditor Meetings.

“Meeting Materials” means the notice of meeting, form of proxy and related materials sent to the Creditors as provided for in the Meeting and Process Order.

“Membership Agreement” means the Golf Club membership agreement entered into between the Founding Members and the Golf Club.

“Monitor” means Abakhan & Associates Inc. in its capacity as Monitor of the Petitioners, and not in its personal capacity, pursuant to the Initial Order, and without any personal or corporate liability.

“Monitor Certificate of Completion” means the Certificate of Completion filed by the Monitor pursuant to Article 8.5.

“New First Arres Secured Creditor Mortgage” means a new mortgage that will be registered against the Development Lands in an amount equal to the aggregate of all principal plus all accrued but unpaid interest owing under the First Arres Secured Creditor Class Mortgages as of the Filing Date with interest from and after the Filing Date at the prevailing rate from time to time under the *Court Order Interest Act R.S.B.C. 1996, c.79*. Each Creditor comprising the First Arres Secured Creditor Class will share in the New First Arres Secured Creditor Mortgage based on its Arres Creditor Pro Rata Share. The form and structure of the New First Arres Secured Creditor Mortgage will be settled at the direction of the Board and will include a term for the subordination of the mortgage to Third Party Financing.

“New Second Arres Secured Creditor Mortgage” means a new mortgage that will be registered against the Development Lands in an amount equal to the aggregate of all principal plus all accrued but unpaid interest owing under the

Second Arres Secured Creditor Class Mortgages as of the Filing Date with interest from and after the Filing Date at the prevailing rate from time to time under the *Court Order Interest Act R.S.B.C. 1996, c.79*. Each Creditor comprising the Second Arres Secured Creditor Class will share in the New Second Arres Secured Creditor Mortgage based on its Arres Creditor Pro Rata Share. The form and structure of the New Second Arres Secured Creditor Mortgage will be settled at the direction of the Board and will include a term for the subordination of the mortgage to Third Party Financing.

“New Third Arres Secured Creditor Mortgage” means a new mortgage that will be registered against the Development Lands in an amount equal to the aggregate of all principal plus all accrued but unpaid interest owing under the Third Arres Secured Creditor Class Mortgages as of the Filing Date with interest from and after the Filing Date at the prevailing rate from time to time under the *Court Order Interest Act R.S.B.C. 1996, c.79*. Each Creditor comprising the Third Arres Secured Creditor Class will share in the New Third Arres Secured Creditor Mortgage based on its Arres Creditor Pro Rata Share. The form and structure of the New Third Arres Secured Creditor Mortgage will be settled at the direction of the Board and will include a term for the subordination of the mortgage to Third Party Financing.

“Okanagan Hills” means Okanagan Hills Development Corporation.

“Order” means any order, directive, judgment, decree, award or writ of any Tribunal.

“Permitted Encumbrances” means those listed in Schedule “A” to the Plan.

“Person” means any individual, partnership, limited partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority or any other entity.

“Petitioners” means Okanagan Hills, Vineyard Homes, the Golf Club and Y-K Projects.

“Plan” or **“Plan of Arrangement”** means this amended and restated plan of compromise and arrangement, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

“Plan Administrator” means the Monitor who will be tasked with distributing the General Creditor Distribution Amount.

“Plan Implementation Date” means the date on which the Monitor Certificate of Completion is filed with the Court by the Monitor.

“Post Filing Claim” means any amount due to any Person for any goods or services supplied to the Petitioners subsequent to the Filing Date and/or for any sales or excise taxes, source deductions or assessments and premiums due from the Petitioners and arising subsequent to the Filing Date, but does not include any Claim arising as a result of the repudiation, restructuring or termination of any Contract by the Petitioners.

“Proceeds” means all funds received in consideration for the sale of Lots or the Development Lands *en bloc* less transaction costs of the sale.

“Proof of Claim” means a proof of claim, in the form prescribed by the Claims Process Order, completed by a Creditor and delivered to the Monitor in accordance with the terms of such Order.

“Proven Claim” means the aggregate amount of any and all Claims held by a Creditor which have been accepted by the Petitioners or the Monitor or finally determined in accordance with the provisions of this Plan and the Claims Process Order.

“Released Parties” has the meaning ascribed thereto in Article 7.1.

“Required Majority” means the affirmative vote of:

- (a) a simple majority in number of those Creditors who actually vote upon this Plan (in person or by proxy) at the Creditor Meetings; and
- (b) a two-thirds majority in value of the Proven Claims of Creditors who actually vote upon this Plan (in person or by proxy) at the Creditor Meetings;

in accordance with the Meeting and Process Order.

“Rise Lands” means all the land owned by the Petitioners which comprise a master planned community development with signature golf course property.

“S136” means S136 Ventures Ltd.

“Second Arres Secured Creditor Class” means S136 and Olympia holding the Second Arres secured Creditor Class Mortgages against the Development Lands.

“Second Arres Secured Creditor Class Mortgages” means:

- S136/Olympia \$10,000,000 mortgage LA034193
- S136 \$557,500.00 mortgage and assignment of rents CA144624 CA144625

“Secured Claims” means the Claims of Secured Creditors.

“Secured Creditors” means Arres Secured Creditors.

“Stay Termination Date” means the next day after the date of the Final Order.

“Third Arres Secured Creditor Class” means S136 and Olympia holding the Third Arres Secured Creditor Class Mortgage against the Development Lands.

“Third Arres Secured Creditor Class Mortgage” means

S136, Olympia \$5,000,000 mortgage and assignment of rents CA412334
CA412335

“Third Party Financing” means any future financing that is required to further develop the Development Lands so as to realize value required to satisfy the Claims of the Arres Secured Creditors.

“Tribunal” means any court (including a court of equity) of competent jurisdiction, arbitrator panel and any other Governmental Authority.

“Trustee” means the trustee for the Investors appointed by the Board.

“Unaffected Claims” means, collectively:

- (a) the CCAA Claims;
- (b) the Post Filing Claims;
- (c) all Claims pursuant to or in respect of the DIP Loan Mortgage by the holder thereof, or its successor or assignee;
- (d) the HSBC Mortgage and the HSBC Letter of Credit;
- (e) the Claims of Compliance Deposit Creditors;
- (f) the Claims of Equipment Lessors;
- (g) the Claims of Golf Club Founding Members but only to the extent that they will continue (subject to the legal rights of BDC under the BDC Mortgage) to have the golfing rights and privileges as set out in the schedule of benefits annexed as Schedule ‘B’ to the Membership Agreement;
- (h) the Claims of Golf Club Members In Good Standing only to the extent that they will continue (subject to the legal rights of BDC under the BDC Mortgage) to have the right to play golf at the Golf Course in accordance with the golfing rights and privileges as set out in the membership agreement;
- (i) the City of Vernon Proven Claim;
- (j) the BDC Mortgage and the BDC Encroachment Claim; and
- (k) all inter-company debts owing between the Petitioners.

“Unaffected Creditors” means Creditors with unaffected claims.

“Vineyard Homes” means Vineyard Homes at the Rise Ltd.

“Y-K Projects” means Y-K Projects Ltd.

1.2 **Headings**

The division of this Plan into articles and sections and the insertion of headings are for convenience only and do not form part of this Plan and will not be used to interpret, define or limit the scope, extent or intent of this Plan.

1.3 **Section References**

The terms “hereof”, “hereunder”, “herein” and like expressions refer to this Plan and not to any particular article or section of this Plan. In this Plan, where the context so requires, any words importing the singular number shall include the plural and vice versa and any word importing gender shall include all genders. In this Plan, a reference to an article or section shall, unless otherwise stated, mean an article or section of this Plan.

1.4 **Accounting Terms**

All accounting terms not otherwise defined in this Plan shall have the meanings ascribed thereto in accordance with Canadian generally accepted accounting principles (“GAAP”). Any question or dispute with respect to the content of GAAP shall be determined by the Monitor, in its sole discretion.

1.5 **Statutory References**

Unless otherwise specified, each reference herein to a statute is deemed to be a reference to that statute and to the regulations made under that statute as amended or re-enacted from time to time.

1.6 **Extended Meanings**

In this Plan, the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that reference to included matters shall be regarded as illustrative without being either characterizing or exhaustive, and the word “or” is not exclusive.

1.7 **Dates of Actions**

In the event that any date on which any action is required to be taken hereunder by any Person is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day. Any action taken after 5:00 p.m. on a Business Day or on any day that is not a Business Day will be deemed to have occurred on the following Business Day.

1.8 **Time**

All times expressed in this Plan are references to local time in Vancouver, British Columbia, unless otherwise stated.

1.9 **Currency**

All references to amounts of money mean lawful currency of Canada, unless otherwise stated.

ARTICLE 2
PURPOSE AND EFFECT OF THE PLAN

2.1 **Purpose of this Plan**

The purpose of this Plan is to achieve a coordinated restructuring and compromise of the obligations and liabilities of the Petitioners on a consolidated basis that provides equitable treatment to all the Creditors. Due to the existing economic climate in the context of recreational/development real estate, the Creditors of the Petitioners will recover more if the Development Lands are further subdivided and developed which will create greater value than if the Development Lands are sold and liquidated. Such liquidation would result in many of the Creditors receiving zero on their Claims.

Pursuant to the Plan, the Arres Secured Creditors will be grouped into three classes representing the existing priorities of the mortgages registered against the Development Lands as of the Filing Date. On the Plan Implementation Date the existing mortgages will be extinguished and discharged, and replaced with three (3) new mortgages which will reflect the aggregate dollar value of the mortgages in each of the three classes and their relative priority. Each Arres Secured Creditor with a Proven Claim will be issued one (1) common share in Y-K Projects for each dollar of indebtedness secured by a mortgage. The shareholders will elect a Board of directors who will determine the process by which the assets are liquidated. The Board of directors will appoint the Trustee. The shares in Y-K Projects will be held by the Trustee in trust for each Investor. As the Development Lands are developed and sold going forward, the net proceeds (after operating costs) arising from the future sales of the Lots or the Development Lands, will be used to pay the new mortgages registered against the Development Lands in the following priorities:

- (1) the CCAA Claims
- (2) any amounts owing under the DIP Loan
- (3) the DIP Replacement Lenders Mortgage
- (4) the First Arres Secured Creditor Class
- (5) the Second Arres Secured Creditor Class,
- (6) the Third Arres Secured Creditor Class.

Each Arres Secured Creditor will be paid its pro rated share from the net proceeds of the sale of the Development Lands. Those Arres Secured Creditors that advanced funds to the Petitioners secured by specific mortgages against Lots which were subsequently sold and whose security was discharged and replaced with the Joint Arres/CME Capital Charge, will be granted a

mortgage over the Development Lands (the "DIP Replacement Lenders Mortgage") in priority to the Arres Secured Creditor Classes in an amount equal to the Joint Arres/CME Capital Charge. General Creditors will receive payment equal to approximately 5 cents per dollar of their General Creditor Proven Claims out of the sale of the General Creditor Lots.

In order to allow for the continued development and subdivision of the Development Lands, additional third party financing will be necessary. Without additional financing, there is insufficient cash flow for the golf course to operate, or for additional development and sub-division to take place. The raising of additional third party financing will be at the discretion of the Board and is crucial to ensure the viability of the Rise development and to ensure that value is preserved for all stakeholders. The Board will engage a Financial Strategist to assist in a balancing the financial challenges presented by multi-phased, multi-use projects. Under the Plan, the Arres Secured Creditors will agree to subordinate their mortgage interests to allow for the implementation of future third party financing.

This restructuring is only possible with the support of the Arres Secured Creditors. Only with their support will it be possible to give some value to the General Creditor Class who, if this Plan is not accepted, will get zero return on their General Creditor Proven Claims.

The Creditors will derive a greater benefit or recovery on the Claims under the Plan than if the Plan were not implemented and the assets of the Petitioners liquidated by court order process or otherwise.

Under this Plan, any and all Claims that the Creditors have, or have had, against the Petitioners, and Arres and their officers and directors, other than those Claims which cannot be compromised under the CCAA, will be extinguished and released.

2.2 Persons Affected by this Plan

From and after the Plan Implementation Date, this Plan will be binding upon and enure to the benefit of the Petitioners and be binding on all Persons in accordance with its terms.

2.3 Persons Not Affected by this Plan

For greater certainty, this Plan does not affect the Unaffected Claims. Nothing in this Plan shall affect any of the Petitioners' rights and defences, legal or equitable, with respect to any Unaffected Claims, including any rights with respect to legal and equitable defences or entitlements to setoffs or recoupments against such Claims.

2.4 Plan Administrator

The Monitor shall act as Plan Administrator for purposes of distribution of the General Creditor Distribution Amount to General Creditors up to and including the General Creditor Distribution Date.

2.5 Effect of Plan Generally

The treatment of all Claims under this Plan shall be final and binding on the Petitioners and all Creditors (and their respective heirs, executors, administrators, legal personal

representatives, successors and assigns), irrespective of the jurisdictions in which such Creditors reside or the Claims arise, and this Plan shall constitute a full, final and absolute settlement of all rights of all Creditors in consideration of the General Creditor Distribution Amount to be paid to such Creditors in accordance with the terms of this Plan.

ARTICLE 3 MECHANICS OF THE PLAN

3.1 **Overview of Restructuring Process**

The Plan will be administered on a consolidated basis. For clarity, Okanagan Hills, Vineyard Homes, the Golf Club and Y-K Projects including all their assets and liabilities will be treated as one estate and the Creditors of each legal entity will be treated the same as the Creditors of each other entity.

The Plan will extend the stay of proceedings granted under the Initial Order until the Stay Termination Date. During this period, the Petitioners will continue to market the Development Lands *en bloc* and to obtain Lot Sales to realize the highest possible value for all Creditors. The Golf Course will continue to be operated to maximize value as well through the summer months.

On the Plan Implementation Date:

- (a) the CCAA Claims, DIP Loan Mortgage, HSBC Mortgage, and the City of Vernon Proven Claim, the BDC Encroachment Claim, and Permitted Encumbrances shall survive as against their respective portions of the Development Lands and any proceeds of sale arising therefrom.
- (b) all interests and encumbrances, liens and security interests of any kind registered against the Development Lands (except for the DIP Loan Mortgage, the HSBC Mortgage, the BDC Encroachment Claim and the City of Vernon Proven Claim) including the First Arres Secured Creditor Class Mortgages, the Second Arres Secured Creditor Class Mortgages, and the Third Arres Secured Creditor Class Mortgages, shall be extinguished and discharged.
- (c) the DIP Replacement Lender Mortgage, the New First Arres Secured Creditor Mortgage, the New Second Arres Secured Creditor Mortgage, and the New Third Arres Secured Creditor Mortgage will be registered at the Land Title Office concurrently with the discharge of the mortgages and encumbrances referred in para (b).
- (d) each Arres Secured Creditor with a Proven Claim will be issued one (1) common share in Y-K Projects for each dollar of Proven Claim. The shares in Y-K Projects will be held in trust by the Arres Secured Creditor on behalf of the Investors. The Investors shall have the right as beneficial owners of the shares to vote at any meeting of the shareholders of Y-K Projects.

- (e) the Joint CME/Arres Charge will be extinguished.
- (f) the Option Agreement dated January 2, 2005 between Y-K Projects and Okanagan Hills will be terminated and any beneficial claim by Okanagan Hills to the Development Lands will be extinguished. Any other Option Agreements, herein, entered into by Y-K Projects respecting the Developed Lands are also hereby extinguished, notwithstanding that they have not been specifically enumerated.
- (g) notice of an extraordinary general meeting of the shareholders will be sent to all shareholders of Y-K Projects Ltd., which meeting shall be held within 30 days of the Plan Implementation Date for the following purposes:
 1. to fix the number of Directors; and
 2. to elect Directors to hold office until the next annual general meeting or until their successors be elected or appointed in accordance with the *Business Corporations Act* (British Columbia) and the Articles of Y-K Projects Ltd.
- (h) the Petitioners shall be otherwise released from the Claims of all Creditors except for Unaffected Creditors.

3.2 **Proposed Timetable**

The Petitioners shall use all reasonable commercial efforts to adhere to the following timeline in respect of the Plan. The following timeline, is, however, subject to change.

	Events	Anticipated Dates	Defined Dates
1.	Filing of Plan	September 17, 2010	—
2.	Mailing of Meeting Materials to Creditors	week of September 20, 2010	—
3.	Creditor Meetings to be held at 2:00 pm at the Best Western Vernon Lodge Hotel, Vernon, BC or other venue as determined by the Monitor	October 29, 2010	Creditor Meetings Date
4.	Hearing of Application for Final Order	November 12, 2010	
5.	Termination of Stay of Proceedings in CCAA Proceedings	November 13, 2010	Stay Termination Date
6.	Resolution of Disputed Claims	To be Determined	

	Events	Anticipated Dates	Defined Dates
7.	Distribution to General Creditors	Within 10 Business Days after final determination of all Disputed Claims	Final Distribution Date

ARTICLE 4
CREDITOR CLASSES AND PAYMENTS

4.1 Classes of Creditors

There are five (5) classes of Creditors for the purpose of considering and voting on this Plan.

4.2 Treatment of Creditors

The obligations of the Petitioners to the Creditors shall be settled and compromised pursuant to this Plan as follows:

- (a) Those Creditors who hold an Arres First Priority Proven Claim will constitute a priority secured class (the "First Arres Secured Creditor Class") ranking in priority immediately behind the DIP Replacement Lenders Mortgage. Upon the Plan Implementation Date the First Arres Secured Creditor Class Mortgages will be discharged as against the Development Lands and a new mortgage (the "New First Arres Secured Creditor Mortgage") will be registered in the name of the Trustee, in trust for the Investors of this class against the Development Lands. Each Creditor holding an Arres First Priority Proven Claim will be issued one (1) common share in Y-K Projects for each dollar of Proven Claim.
- (b) Those Creditors who hold an Arres Second Priority Proven Claim will constitute a second priority secured class (the "Second Arres Secured Creditor Class") ranking in priority immediately behind the New First Arres Secured Creditor Mortgage. Upon the Plan Implementation Date the Second Arres Secured Creditor Class Mortgages will be discharged as against the Development Lands and a new mortgage (the "New Second Arres Secured Creditor Mortgage") will be registered in the name of the Trustee, in trust for the Investors of this class against the Development Lands. Each Creditor holding an Arres Second Priority Proven Claim will be issued one (1) common share in Y-K Projects for each dollar of Proven Claim.
- (c) Those Creditors who hold an Arres Third Priority Proven Claim will constitute a third priority secured class (the "Third Arres Secured Creditor Class") ranking in priority immediately behind the New Second Arres Secured Creditor Mortgage. Upon the Plan Implementation Date the Third Arres Secured Creditor Class Mortgages will be discharged as against the Development Lands and a new mortgage (the "New Third Arres Secured Creditor Mortgage") will be registered in the name of the Trustee, in trust for the Investors of this class against the

Development Lands. Each Creditor holding an Arres Third Priority Proven Claim will be issued one (1) common share in Y-K Projects for each dollar of Proven Claim.

- (d) The General Creditors will form the General Creditor Class. Each General Creditor will be paid its General Creditor Pro Rata Share of its General Creditor Proven Claim to be paid out of the net proceeds of sale of General Creditor Lots.
- (e) The DIP Replacement Lenders will form a separate secured class (the "DIP Replacement Lender Class") and will be issued the DIP Replacement Lender Mortgage. The DIP Replacement Lender Mortgage will be registered in the name of the Trustee, in trust for the Investors of this class and will rank in priority ahead of the New First Arres Secured Creditor Mortgage. Each DIP Replacement Lender comprising the DIP Replacement Lender Class will share in the DIP Replacement Lender Mortgage based on its DIP Replacement Lender Pro Rata Share. Each Creditor in the DIP Replacement Lender Class will be issued one (1) common share in Y-K Projects for each dollar of Proven Claim.

ARTICLE 5

FILING OF PROOFS OF CLAIM AND CREDITOR MEETINGS

5.1 Determination of Claims

The determination of the validity and quantum of any Claim shall be made in accordance with the procedures set forth in the Claims Process Order or by way of agreement among the Petitioners, the Monitor and the Creditor having such Claim or by determination by the Court.

5.2 Failure to File Proofs of Claim Prior to Claims Bar Date

If a Creditor has not filed a Proof of Claim with the Monitor prior to the Claims Bar Date or such later date as agreed upon by the Monitor as allowed for under the Claims Process Order, such Creditor shall be forever barred from participating in this Plan, shall have no right to vote in respect of this Plan and shall not be entitled to receive any amounts payable under this Plan, and the Petitioners shall be forever released from any and all Claims of, or liabilities or obligations to, such Creditor.

5.3 Classes of Creditors

The classes of Creditors for the purpose of considering and voting on this Plan will be the Arres Secured Creditors Classes, General Creditors Class, and the DIP Replacement Lenders.

5.4 Creditor Meetings

The Petitioners will call the Creditor Meetings, and convene and hold the same on the Creditor Meetings Date, in accordance with the terms of this Plan and the Meeting and Process Order.

5.5 Creditors' Approval

The Petitioners will seek approval of this Plan at the Creditor Meetings by the Required Majority. Except for any resolution to be voted on at the Creditor Meetings to approve, amend or vary this Plan, which will be decided by the Required Majority by ballot, every question submitted to a vote at the Creditor Meetings will be decided by a majority in value of the Proven Claims cast on a poll in that class. The result of any vote will be binding on all Creditors whether or not any such Creditor is present and voting (in person or by proxy) at the Creditor Meetings.

5.6 Procedures at Creditor Meetings

The following procedures shall apply at the Creditor Meetings. To the extent such procedures are inconsistent with the Meeting and Process Order, the procedures provided in the Meeting and Process Order shall govern:

- (a) subject to any Order of the Court, the Chairperson shall decide all matters relating to the conduct of the Creditor Meetings;
- (b) the quorum required at the Creditor Meetings shall be one Creditor present in person or by proxy in each class;
- (c) the Chairperson shall appoint scrutineers and designate a secretary for the supervision and tabulation of the attendance at and votes cast at the Creditor Meetings;
- (d) the only Persons entitled to notice of or to attend, speak and vote at the Creditor Meetings will be Creditors having Proven Claims, Claimants, Secured Creditors, the directors and officers of the Petitioners, the Monitor and its representatives, the legal advisors and proxyholders of any of the foregoing and any Person admitted on the invitation of the Chairperson;
- (e) if the requisite quorum is not present at the Creditor Meetings, or if the Creditor Meetings are postponed by a vote of the Creditors present in person or by proxy, then the Creditor Meetings shall be adjourned by the Chairperson to a date thereafter and to such time and place as may be determined by the Chairperson;
- (f) any proxy which a Creditor wishes to use at the Creditor Meetings must be received by the Monitor or the Chairperson prior to the commencement of the Creditor Meetings;
- (g) the Chairperson shall direct a vote at the Creditor Meetings with respect to a resolution to approve this Plan and the transactions contemplated herein, and such amendments hereto as the Petitioners consider appropriate; and
- (h) for voting purposes, the Chairperson shall keep a separate record and tabulation of any and all votes cast in respect of Disputed Claims.

5.7 Voting by Creditors

For the purposes of voting at the Creditor Meetings, each Creditor having a Proven Claim shall be entitled to:

- (a) one vote for purposes of determining the simple majority in number required under clause (a) of the definition of "Required Majority" in Article 1.1; and
- (b) one vote for each \$1.00 of its Proven Claim for purposes of determining the two-thirds majority in value required under clause (b) of the definition of "Required Majority" in Article 1.1.

5.8 Voting by Claimants

Each Creditor who is a Claimant shall be entitled to vote as a Creditor at the Creditor Meetings. In the event that this Plan is not approved by the Required Majority at the Creditor Meetings and the votes cast by one or more Claimants are sufficient to determine the outcome of such votes, the Petitioners shall apply to Court at the earliest opportunity for a determination as to the validity and quantum of the Disputed Claim of each such Claimant (each a "Material Claimant").

The right of a Claimant to vote at the Creditor Meetings pursuant to this Article 5.8 does not constitute an admission on behalf of the Petitioners or the Monitor as to the validity or quantum of any Disputed Claim for voting, or the Claimant's right to participate in any distribution pursuant to this Plan, and is without prejudice to the right of the Petitioners and Monitor to continue to dispute the validity and quantum of such Disputed Claim.

5.9 Status Quo

Until such time as the validity and quantum of the Disputed Claims held by all Material Claimants are determined in accordance with the procedures set forth in the Claims Process Order, including by way of agreement between the Petitioners and such Material Claimant (with the consent of the Monitor) or by determination by the Court:

- (a) the Petitioners will maintain the status quo as contemplated by the terms of the Initial Order; and
- (b) the Petitioners will defer making an application for the Final Order.

5.10 Proxies

Each Person who is entitled to vote at the Creditor Meetings will be entitled to vote in person or by proxy, using the proxy form distributed by the Monitor pursuant to the Meeting and Process Order.

5.11 Voting Disputes

Any issue which arises in respect of the right of a Creditor or Claimant to vote at the Creditor Meetings shall be resolved by the Chairperson, provided that any dispute relating to

a decision of the Chairperson in this regard may be appealed to the Court at or before the hearing of the application for the Final Order.

5.12 Adjournment of Creditor Meetings

The Chairperson may, in its sole discretion, upon notice to those Persons attending the Creditor Meetings, adjourn the Creditor Meetings upon such terms as are considered appropriate by the Chairperson for the purpose of considering any amendments, variations, modifications or supplements to this Plan.

**ARTICLE 6
MODIFICATION AND WITHDRAWAL**

6.1 Modification of Plan

The Petitioners reserve the right to file any modification of, or amendment or supplement to, this Plan by way of a supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) filed with the Court at any time, or from time to time, prior to the Creditor Meetings Date or at or before the Creditor Meetings, in which case any such supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) shall, for all purposes, be and be deemed to be a part of and incorporated into this Plan. The Petitioners shall give notice to the Creditors of the details of any such modification, amendment or supplement at the Creditor Meetings prior to the vote being taken to approve this Plan. The Petitioners may give notice of a proposed modification, amendment or supplement to this Plan at or before the Creditor Meetings by notice in writing which shall be sufficient if given to those Creditors present at such Meeting in person or by proxy and any and all voting letters or proxies shall continue to be valid in respect of any modification, amendment or supplement to the Plan. After the Creditor Meetings (and prior to the obtaining of the Final Order), the Petitioners may at any time and from time to time vary, amend, modify or supplement this Plan without the need for obtaining an order of the Court or providing notice to the Creditors if the Monitor determines that such variation, amendment, modification or supplement would not be materially prejudicial to the interests of the Creditors under this Plan or the Final Order and is necessary in order to give effect to the substance of this Plan or the Final Order. In the event a material variation, amendment, modification or supplement is required by the Petitioners, such shall be permitted by Court order.

After the Meetings, this Plan may be modified by the Court at any time on application of the Debtors and upon notice to those determined by the Monitor to be directly affected by the proposed modification, whether or not they are a General Creditor or a Secured Creditor. On such application, this Plan may be modified as may be reasonably necessary to ensure the successful reorganization of the Debtors in accordance with the purposes of this Plan.

6.2 Revocation, Withdrawal or Non-Consummation

The Petitioners reserves the right to revoke or withdraw this Plan at any time prior to the Plan Implementation Date and to file subsequent plans of reorganization or arrangement. If the Petitioners revoke or withdraw this Plan, or if the Final Order is not made, (a) this Plan shall be null and void in all respects, (b) any Claim, any settlement or compromise embodied in

this Plan (including the fixing or limiting of any Claim to an amount certain), assumption or termination, repudiation of executory contracts or leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void and (c) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Petitioners or any other Person; (ii) prejudice in any manner the rights of the Petitioners or any Person in any further proceedings involving the Petitioners; or (iii) constitute an admission of any sort by the Petitioners or any other Person.

ARTICLE 7 EFFECT OF PLAN

7.1 **Releases**

As of the Plan Implementation Date, the following Persons (collectively, the "Released Parties"):

- (a) the Petitioners and their legal counsel in the CCAA Proceedings;
- (b) the Monitor and its legal counsel in the CCAA Proceedings;
- (c) all present and former directors, officers and employees of any of the Petitioners, in such capacities and not in any other capacity;
- (d) Arres, its directors, officers and employees, and its legal counsel in the CCAA Proceedings, (the "Arres Released Parties") but only to the extent of any steps taken by the Arres Released Parties during the CCAA Proceedings to formulate, structure, and implement this Plan; and
- (f) any Person claimed to be liable derivatively through any and all of the foregoing Persons;

shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert including, any claims in respect of potential statutory liabilities of the present and former directors, officers and employees of the Petitioners and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, compromise, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Petitioners, this Plan and the CCAA Proceedings to the full extent permitted by law, and all claims arising out of such actions or omissions shall be forever waived

and released (other than the right to enforce the Petitioners' obligations under the Plan or any related document) (the "Compromised Claims") provided that nothing herein:

- (i) shall release or discharge a Released Party from an Unaffected Claim or from a Claim which cannot be compromised under the CCAA;
- (ii) shall affect the rights of any Person to recover indemnity from any insurance coverage under which that Person is an insured; or
- (iii) shall release or discharge present or former directors of the Petitioners with respect to matters set out in section 5.1(2) of the CCAA;
- (iv) shall release or discharge the Arres Released Parties for any liability to any third party arising from any trust agreements (or statutory obligations relegated thereto) entered into between Arres and an individual investor, or based on any other cause of action arising outside the context of the formulation, structuring and implementation of the Plan, including but not limited to fraud, dishonesty or breach of fiduciary duty (which formulation, structuring and implementation shall not, for purposes of the release set out in subparagraph 7.1(d), include any voting on behalf of individual investor by Arres, as trustee, in respect of the Plan).

and provided further, however, that notwithstanding the foregoing releases under the Plan, any Claim asserted against the Released Parties shall remain subject to any right of set-off that otherwise would be available to the Released Parties in the absence of such releases.

7.2 **Permanent Injunction**

From and after the Plan Implementation Date, all Creditors and other Persons shall be permanently and forever barred, estopped, stayed and enjoined with respect to Compromised Claims from:

- (a) commencing, conducting or continuing in any manner, directly or indirectly, any actions, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties and their respective representatives, predecessors, heirs, spouses, dependents, administrators, executors, subsidiaries, affiliates, related companies, franchisees, member companies, vendors, partners, distributors, brokers, retailers, officers, directors, shareholders, employees, attorneys, sureties, insurers, successors, indemnitees, servants, agents and assigns, as applicable;
- (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties and their respective representatives, predecessors, heirs, administrators, executors, subsidiaries, affiliates, related companies, franchisees, member companies, vendors, partners, distributors, brokers, retailers, officers, directors, shareholders, employees, attorneys, sureties, insurers,

successors, indemnitees, servants, agents and assigns, or the property of such persons;

- (c) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties;
- (d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or Encumbrance of any kind; and
- (e) taking any actions to interfere with the implementation or consummation of this Plan.

7.3 **Waiver of Defaults**

From and after the Plan Implementation Date, all Creditors and other Persons shall be deemed to have waived any and all defaults of the Petitioners now existing or previously committed or caused by the Petitioners, or non-compliance with any covenant, warranty, representation, term, provision, condition, obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereof, existing between such Person and the Petitioners, including a default under a covenant relating to any other related company of the Petitioners and any and all notices of default and demands for payment under any instrument, including any guarantee, shall be deemed to have been rescinded.

7.4 **Cancellation of Encumbrances**

Immediately on the Plan Implementation Date any and all registrations (in any Land Title Office, Personal Property Registry or other registry or place where any Encumbrance of any kind may be registered or recorded) by any Person having a Claim other than Unaffected Claims and Permitted Encumbrances shall be expunged, removed or otherwise discharged, and the Registrar of Titles, Personal Property Registrar and all other Persons in control of such places of registration or recording shall forthwith remove and discharge all such registrations.

ARTICLE 8

APPLICATION FOR FINAL ORDER AND CONDITIONS PRECEDENT

8.1 **Effectiveness of Plan**

Upon the fulfillment of both of the conditions precedent set out in Article 8.2, this Plan will become effective.

8.2 **Conditions Precedent to Effectiveness of Plan**

The implementation and effectiveness of this Plan is expressly subject to the fulfillment of the following conditions:

- (a) the approval of this Plan by the Required Majority as set out in Article 5.5;
- (b) the granting of the Final Order on the terms contemplated by this Plan or such other terms as are satisfactory to the Petitioners;
- (c) all interests and encumbrances, liens and security interests of any kind registered against the Development Lands (except for the DIP Loan Mortgage, the HSBC Mortgage, and the City of Vernon Proven Claims) including the First Arres Secured Creditor Class Mortgages, the Second Arres Secured Creditor Class Mortgages, and the Third Arres Secured Creditor Class Mortgages, shall be extinguished and discharged by court order in the CCAA Proceedings; and
- (d) the DIP Replacement Lender Mortgage, the New First Arres Secured Creditor Mortgage, the New Second Arres Secured Creditor Mortgage, and the New Third Arres Secured Creditor Mortgage will be registered at the Land Title Office concurrently with the discharge of the mortgages and encumbrances referred in para (c).

8.3 **Application for Final Order**

If this Plan is approved at the Creditor Meetings by the Required Majority as set out in Article 5.5, and subject to any requirement to first determine the Claims of Material Claimants, if any, as provided for in Article 5.8, the Petitioners will forthwith thereafter apply to Court for the Final Order.

8.4 **Terms of Final Order**

In addition to sanctioning the Plan, the Final Order shall, among other things:

- (a) declare that the arrangements effected by this Plan are approved, binding and effective upon the Petitioners, all Creditors, and any other Persons affected by this Plan, and release and discharge the Petitioners from any and all obligations, liabilities and indebtedness, as and to the extent provided for in this Plan;
- (b) release and discharge the Released Parties from any and all Claims subject to and in accordance with Article 7 of this Plan and stay any and all steps or proceedings, including administrative orders, declarations or assessment commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any and all past, present and future directors, officers and employees of the Petitioners (in those capacities in respect of all Claims) and discharge all past and present directors, officers and employees of the Petitioners from any liability with respect to all Claims, all to the extent provided for in this Plan;

- (c) confirm and give effect to the releases, waivers, permanent injunctions and other provisions contemplated by this Plan; and
- (d) discharge all interests and encumbrances registered against the Development Lands in accordance with Article 3.1(b)

8.5 Monitor's Certificate of Completion

Upon the satisfaction or waiver of each of the conditions precedent set out in Article 8.2, the Monitor shall file with the Court a Monitor Certificate of Completion which states that all conditions precedent set out in this Plan have been satisfied. Following the payment of the General Creditor Distribution Amounts to Creditors having Proven Claims on the General Creditor Distribution Date, the Monitor shall file with the Court a further certificate confirming that all General Creditor Distribution Amounts have been paid. In so certifying, the Monitor shall, in all respects, be entitled to rely upon certificates, representations and confirmations from the Petitioners and their counsel.

8.6 Non-Fulfillment of Conditions

If any of the conditions set out in Article 8.2 are not satisfied, this Plan shall, without any further act or formality, thereupon terminate and cease to have any further force or effect.

**ARTICLE 9
DISTRIBUTIONS TO GENERAL CREDITORS**

9.1 Entitlement to Receive General Creditor Distribution Amounts

Each General Creditor having a General Creditor Proven Claim will be entitled to receive its General Creditor Pro Rata Share in exchange for, and in full and final satisfaction of, such General Creditor Proven Claim. All amounts paid to the General Creditors will be paid and distributed at the times and in the manner provided for in this Article 9.

9.2 No Distributions Pending Acceptance of Claims

Notwithstanding any other provision of this Plan, no distributions shall be made with respect to all or any portion of a Disputed Claim unless and until it has become a Proven Claim in accordance with the provisions of this Plan or the Claims Process Order.

9.3 General Creditor Distribution Date

The Monitor shall, on the General Creditor Distribution Date, pay General Creditors an amount equal to their General Creditor Pro Rata Share.

9.4 Assignment of Compromised Claims

If any Creditor transfers or assigns a Claim to another Person after the Filing Date, neither the Petitioners nor the Monitor shall be obligated to deal with the transferee or assignee of such Claim unless notice of the transfer or assignment, together with evidence showing that such transfer or assignment was valid under Applicable Law, acceptable to the

Monitor, has been received by the Monitor at least ten (10) Business Days prior to the General Creditor Distribution Date.

9.5 Interest on Claims

Interest shall not accrue or be paid on any Claim after or in respect of the period following the Filing Date (except that the Arres Secured Creditors shall be paid interest on their Proven Claims at the applicable rate set under the regulations to the *Court Order Interest Act* (R.S.B.C. 1996, c. 79), Unaffected Creditors will be paid any contractual interest and the DIP Replacement Lenders will be paid 12% from the Plan Implementation Date. Interest shall not accrue or be paid upon any Disputed Claim in respect of the period from the Filing Date to the date of a distribution is made thereon if such Disputed Claim becomes a Proven Claim.

9.6 Payment of General Creditor Distribution Amounts

Any payment to a General Creditor pursuant to this Plan shall be made by the Monitor by a cheque drawn on a Canadian chartered bank or trust company, which shall be mailed to the address set forth in the Proof of Claim filed by such General Creditor or in any written notice of address change delivered to the Monitor in respect thereof. If any such payment is returned as undeliverable, no further payment to such General Creditor shall be required to be made unless and until the Monitor is notified of its then current address, at which time all missed payments shall be made to such Creditor without interest. All claims for undeliverable payments in respect of Proven Claims must be made on or before the last day of the twelfth (12th) calendar month following the Plan Implementation Date, after which date the claim of any General Creditor or successor or assignee thereof with respect to such unclaimed payment shall be discharged, and forever barred, notwithstanding any federal or provincial laws to the contrary. Nothing contained in this Plan shall require the Petitioners or the Monitor to attempt to locate any Creditor having a Proven Claim.

9.7 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, the Monitor shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any Applicable Law of federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Monitor shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of this Plan: (a) each General Creditor having of a Proven Claim that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Authority, including income, withholding and other tax obligations, on account of such distribution, and (b) no distribution shall be made to or on behalf of such General Creditor pursuant to this Plan unless and until such holder has made arrangements satisfactory to the Monitor for the payment and satisfaction of such tax obligations.

9.8 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim or who has any right in respect of, or to be subrogated to, the

rights of any Person (including the Petitioners) in respect of a Claim shall be entitled to any greater rights than the Creditor whose Claim is compromised under this Plan.

ARTICLE 10 GENERAL

10.1 Paramountcy

From and after the Plan Implementation Date, any conflict between this Plan and the terms, conditions, covenants, representations, warranties, provisions or obligations, expressed or implied, of any contract, creditor document, agreement for sale, arrangement, constating or organizational documents of the Petitioners, lease or other agreement, written or oral and any and all amendments or supplements thereto existing among one or more of the Creditors and the Petitioners as at the Plan Implementation Date, will be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which will take precedence and priority in respect thereof. For greater certainty, all Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in this Plan.

10.2 Deeming Provisions

The deeming provisions contained herein are not rebuttable and are conclusive and irrevocable.

10.3 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or provided for in this Plan or unless its Claims overlap or are otherwise duplicative.

10.4 Severability

In the event that any provision of this Plan is determined to be unenforceable, invalid or void, unless otherwise determined by the Petitioners, in their sole discretion, such determination shall in no way affect, impair or invalidate the remainder of the provisions of this Plan, all of which shall remain in full force and effect.

10.5 Further Assurances

Notwithstanding that the actions, transactions or events set out in this Plan shall occur or be deemed to occur without any requirement for any additional act or formality, other than as set out herein, each of the Persons bound by this Plan, including the Petitioners, will make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required, or as may be reasonably requested by the Petitioners or the Monitor, in order to fully implement this Plan or document or evidence any of the actions, transactions or events set out herein, including, in the case of the Petitioners, the filing of any required Notices of Alteration, the issuance of any

required share certificates and the making of any necessary changes to its central securities register.

10.6 **Notices**

All notices and communications required, permitted or desired to be made pursuant to this Plan shall be in writing and shall be delivered personally or by facsimile to the Petitioners at the following address:

Fraser Milner Casgrain LLP
Barristers and Solicitors
15th Floor, Grosvenor Building
1040 West Georgia Street
Vancouver, BC V6E 4H8

Attention: Christopher J. Ramsay
Email: chris.ramsay@fmc-law.com
Facsimile: (604) 683-5214

and to the Monitor at the following address:

Abakhan & Associates Inc.
Suite 1120 - 625 Howe Street
Vancouver, B.C. V6C 2T6

Attention: Mr. George Abakhan / Mr. Phil McCourt
Email: gabakhan@abakhan.com/pmccourt@abakhan.com
Facsimile: (604) 689-4277

and if to a Creditor, at the last address of such Creditor as known to the Petitioners or provided in the last Proof of Claim deposited by that Creditor with the Monitor.

10.7 **Governing Law**

This Plan shall be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions will be subject to the exclusive jurisdiction of the Court.

10.8 **Successors and Assigns**

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in this Plan.

DATED at the City of Vancouver, the Province of British Columbia this 17th day of September, 2010.

OKANAGAN HILLS DEVELOPMENT CORPORATION

Per: _____
Authorized Signatory

VINEYARD HOMES AT THE RISE LTD.

Per: _____
Authorized Signatory

THE GOLF CLUB AT THE RISE LTD.

Per: _____
Authorized Signatory

Y-K PROJECTS LTD.

Per: _____
Authorized Signatory

SCHEDULE "A"
Permitted Encumbrances

UNDERSURFACE RIGHTS #97528E
COVENANT #KW93506
COVENANT #KX144535
COVENANT #KX144537
COVENANT #KX144570
COVENANT #KX144572
STATUTORY RIGHT OF WAY #KX144564
STATUTORY RIGHT OF WAY #KX144578
STATUTORY RIGHT OF WAY #KX144580
STATUTORY BUILDING SCHEME #KX144646
COVENANT #KX144647
RENT CHARGE #KX144663
RESTRICTIVE COVENANT #KX144664
EASEMENT #KX144666
STATUTORY RIGHT OF WAY #KX144668
STATUTORY RIGHT OF WAY #KX144576
STATUTORY RIGHT OF WAY #LA111735
STATUTORY RIGHT OF WAY #LA111739
COVENANT #LA111783
EASEMENT #LA111793
EASEMENT #LA111830
STATUTORY BUILDING SCHEME #LA111849
RENT CHARGE #LA111850
STATUTORY RIGHT OF WAY #KX144574
STATUTORY BUILDING SCHEME #LB18264
RENT CHARGE #LB18265
EASEMENT #LB18266
RESTRICTIVE COVENANT #LB18268
RESTRICTIVE COVENANT #LB18270
STATUTORY RIGHT OF WAY #LB18276
STATUTORY RIGHT OF WAY #LB18277
STATUTORY RIGHT OF WAY #LB18282
STATUTORY RIGHT OF WAY #LB18285
STATUTORY RIGHT OF WAY #LB18289
EASEMENT #KX81867
STATUTORY RIGHT OF WAY #KX144582
STATUTORY RIGHT OF WAY #LB215204
COVENANT #LB267614
COVENANT #LB267615
STATUTORY RIGHT OF WAY #KX144552
STATUTORY RIGHT OF WAY #KX144562
STATUTORY RIGHT OF WAY #KX144566

STATUTORY RIGHT OF WAY #KX144568
STATUTORY RIGHT OF WAY #KX144581
EASEMENT #LB145659
EASEMENT #LB151361
STATUTORY RIGHT OF WAY #LA111744
STATUTORY RIGHT OF WAY #LA111745
STATUTORY RIGHT OF WAY #LA111749
STATUTORY RIGHT OF WAY #LA111750
STATUTORY RIGHT OF WAY #LA111755
STATUTORY RIGHT OF WAY #LA111756
STATUTORY RIGHT OF WAY #LA111773
COVENANT #LB248410
COVENANT #LB316652
EASEMENT #LB316657